

# Maintaining Local Income of a District: The Potential Determinants

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**Abstract:** This research aims to identify the influence of the agricultural sector, tourism sector, local taxes, and the number of tourist visits on Enrekang Regency's original regional income. The data used comes from the Enrekang Regency Central Statistics Agency (BPS) and the Enrekang Regency Regional Revenue Agency. The method applied in this research is multiple linear regression analysis and hypothesis testing through the f test (simultaneous) and t test (partial) using SPSS version 22 software. The results of the research show that the agricultural sector has a negative and significant influence on the local income of Enrekang Regency, while the tourism sector, local taxes, and the number of tourist visits have a positive and significant influence on Enrekang Regency's original regional income.

**Keywords:** Local income, agriculture sector, tourism sector, local tax.

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## 1. Introduction

In Indonesia, development is a very important physical sector, especially regional development, it is an inseparable part of national development. This shows that the central and regional governments have a close relationship, covering the financial sector as well as strategic factors for regional development and supervision. To realize this relationship, the central government delegates some tasks and authority to regional governments. As a result of this delegation, the central government must provide some financial resources to finance development in the regions, including the provision of public goods and services. This is related to fiscal decentralization, which is the process of distributing budgets from higher to lower levels of government, to support government functions or tasks and public services in accordance with the amount of authority delegated.

In the era of fiscal decentralization, it is hoped that there will be an increase in the potential for regional income to finance regional expenditure on services in various sectors, especially the public sector. One source of regional income is Local

Government Income (or PAD), which is revenue obtained by a region from sources within its own territory based on regional regulations in accordance with applicable laws and regulations. PAD consists of the results of regional taxes, regional levies, the results of regionally owned companies, the results of separated regional wealth management, and other legitimate regional income.

Local Government Income (or PAD) in Enrekang Regency experiences fluctuations, which is influenced by various factors, including the role of local government in carrying out its duties and functions. The sources of PAD include regional taxes, regional levies, results from the management of separated regional assets, and other legitimate regional income.

Fiscal decentralization is expected to increase regional capabilities and development. However, there are still challenges in achieving the goal of fiscal decentralization, including the failure to achieve regional performance indicators seen from the increase in the value of PAD every year. The large number of transfers of funds from the center in the form of balancing funds means that the Enrekang Regency government has not been able to improve the regional economy independently.

#### Theoretical Framework and Hypothesis Formulation

**Fiscal Decentralization.** Fiscal decentralization is an important factor in regional financial management. With fiscal decentralization, regions have independence in financing expenditure and development without dependence on the central government.

**Regional Income.** Regional income includes various sources, including PAD and balancing funds. PAD is revenue from sources within the regional area, while balancing funds are transfers from the central government.

**Local Government Income or PAD.** PAD is regional revenue from sources within its own territory which is collected based on regional regulations. PAD consists of regional taxes, regional levies, the results of regionally owned companies, the results of separated regional wealth management, and other legitimate regional income.

**Local Tax.** Regional tax is a mandatory contribution imposed by the region on individuals or entities without direct compensation, used to finance regional government administration and development.

**Agricultural Sector.** The agricultural sector includes food production activities, industrial raw materials, and energy sources from biological resources (Yani, 2015).

**Tourism Sector.** The tourism sector includes industries that attract tourists to visit an area because of its tourist attractions and related businesses. The presence of tourist attractions, tourism-related businesses and all other phenomena, both natural and man-made, which are used for the benefit of tourists, i.e. to satisfy the needs of travelers, makes tourism an industry that attracts people. visit a tourist area that becomes a tourist destination (Muchlisin, 2019).

**Number of Tourist Visits.** The number of tourist visits is an indicator of the success of the tourism industry which has an impact on regional income (Pitana & Diarta in Suastika & Yasa, 2017).

**Relationship between Variables.** The agricultural sector, tourism sector, local taxes and the number of tourist visits contribute to local original income. Since some Indonesians depend on agriculture, the agricultural sector is more valuable than other industries, which affects regional primary income collection. All agricultural income belongs to the Ministry of Agriculture and the total income passes through the Regional Revenue through the Regional Administration. The share of agriculture does not come from local taxes, local payments or the profits of local companies. Instead, it comes from agricultural services.

Tourism can be classified as a source of income in several sectors that can generate income directly into PAD income. Local revenues can be obtained from several important business sectors such as agriculture, service, trade and industry (Ahmar et al., 2012).

Local taxes are a source of funding for regional development and central government to improve and equalize community welfare. As a result, the region can take care of its own needs. Local taxes increase in proportion to the population of the area. The need for federal aid is eliminated in areas with high tax revenues, increased economic independence and sustained human well-being (Ardiyan Natoen et al., 2018).

When the number of tourists increases and the private sector and government, as a leader, respond positively to the tourism industry through improvements, it affects local incomes (Sarta Kapang et al., 2019).

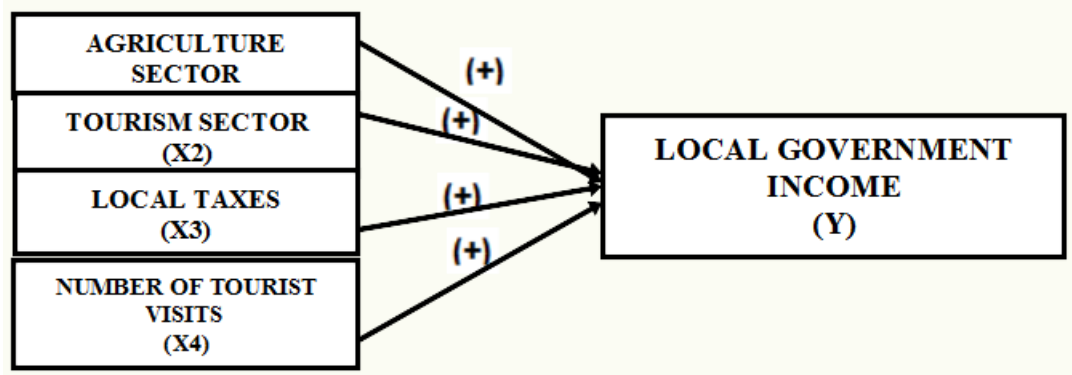


Figure 1. Research Conceptual Framework

Based on this framework, the following hypothesis is formulated:

1. It is suspected that the agricultural sector has a positive influence on regional original income.
2. It is suspected that the tourism sector has a positive effect on local revenue.
3. It is suspected that local taxes have a positive effect on local original income.
4. It is suspected that the number of tourist visits has a positive effect on local revenue.

## 2. Method

To assess how much influence the agricultural sector, tourism sector, local taxes and the number of tourist visits have on local government income (PAD) in Enrekang Regency from 2017 to 2021, this research uses a multiple linear regression analysis method. This method is used to evaluate the relationship and influence of independent variables on the dependent variable.

The equation model can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = PAD

X<sub>1</sub> = Agriculture sector

- $X_2$  = Tourism sector
- $X_3$  = Local tax
- $X_4$  = Number of tourist visits
- $\alpha$  = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4$  = Regression Coefficient
- $\varepsilon$  = Error

### 3. Discussion

The estimated results of the influence of the agricultural sector, tourism sector, regional taxes and the number of tourist visits on Original Regional Income in Enrekang Regency were obtained through a multiple regression equation. This equation is used to test the relationship and influence of two or more independent variables on the dependent variable. The results of multiple regression analysis using the SPSS program in this research are presented in the following table:

Table 1: Estimation Results of the Function of the Agricultural Sector, Tourism Sector, Regional Taxes, and Number of Tourist Visits on Original Regional Income of Enrekang Regency

Variable Relationship	Regression coefficient	Std. Error	t-Count	Probability	Description
Constant	1871321255.000				
X1 → Y	-219,017	80.608	2.717	0.009	Significant
X2 → Y	97,148	22.906	4.241	0.000	Significant
X3 → Y	6,485	0.951	6.820	0.000	Significant
X4 → Y	799863.243	378871.036	2.111	0.039	Significant
*) Significant at $\alpha = 5\%$ ; T-Table = 1.67155 $R^2 = 0.835$ (83.5%) F-statistic = 69.778 Prob (F-statistic) = 0.000					

Source: SPSS (Processed, 2022)

Based on these estimation results, an  $R^2$  value of 0.835 is obtained, which indicates that 83.5% of the variation in Enrekang Regency's Original Regional Income can be explained by the agricultural sector (X1), the tourism sector (X2), local taxes (X3), and number of tourist visits (X4). The remaining 16.5% is influenced by other factors outside the model.

With an F value of 69.778 and significance equal to 0.000, it can be concluded that simultaneously, the agricultural sector, tourism sector, local taxes, and the number of tourist visits have a significant effect on Enrekang Regency's Original Regional Income at a significance level of 5%.

The following are the estimation results for each independent variable:

#### 1. Agricultural Sector (X1):

- Regression coefficient: -219.017
- Probability: 0.009 (smaller than the 0.05 significance level)
- t-Count (2.717) > t-Table (1.67155)

Conclusion: The agricultural sector has a significant negative influence on the Original Regional Income of Enrekang Regency.

#### 2. Tourism Sector (X2):

- Regression coefficient: 97.148
- Probability: 0.000 (smaller than the 0.05 significance level)
- t-Count (4.241) > t-Table (1.67155)

Conclusion: The tourism sector has a significant positive influence on Enrekang Regency's Original Regional Income.

#### 3. Local Tax (X3):

- Regression coefficient: 6.485
- Probability: 0.000 (smaller than the 0.05 significance level)

- t-Count (6.820) > t-Table (1.67155)

Conclusion: Regional taxes have a significant positive influence on the Original Regional Income of Enrekang Regency.

#### 4. Number of Tourist Visits (X4):

- Regression coefficient: 799,863.243

- Probability: 0.039 (smaller than the 0.05 significance level)

- t-Count (2.111) > t-Table (1.67155)

Conclusion: The number of tourist visits has a positive influence on the Original Regional Income of Enrekang Regency.

From the results of this research, it appears that the agricultural sector has a negative influence on Original Regional Income, while the tourism sector, regional taxes and the number of tourist visits have a positive influence. These factors are important to consider in efforts to increase Original Regional Income in Enrekang Regency.

Apart from that, the results of this research are consistent with previous research findings, such as those conducted by Dwita, B. O. (2017) which showed that the agricultural sector did not have a significant effect on Original Regional Income in Pringsewu Regency. Meanwhile, research conducted by Yulie Suryani (2017) and Insak (2014) confirmed that the tourism sector has a significant positive influence on Regional Original Income.

Likewise, this finding is in line with research which shows that regional taxes and the number of tourist visits have a significant contribution to Original Regional Income, as done by Putri, M. E., & Rahayu, S. (2015), Marita, and Suardana (2016), Wijaya & Sudiana (2016), and Pertiwi, N., & Gede, N. L. (2014).

## 4. Conclusion

Based on the results of the analysis and discussion that have been described, it can be concluded that the agricultural sector has a negative and significant influence on Enrekang Regency's Original Regional Income (PAD). This is caused by several factors, including greater participation in reducing unemployment and community

welfare, which causes an increase in individual or household income, but contributes less to regional income. Apart from that, the management of levies from market services is also less than optimal. On the other hand, the tourism sector has a positive and significant influence on Enrekang Regency's Original Regional Income (PAD), because of the diverse tourism potential in Enrekang Regency.

Regional taxes also have a positive and significant influence on Enrekang Regency's Original Regional Income (PAD). This is caused by a positive correlation between the amount of Regional Tax revenue and Original Regional Income. Therefore, every increase in Regional Tax is expected to increase Original Regional Income.

The number of tourist visits also has a positive and significant effect on Enrekang Regency's Original Regional Income (PAD). This is due to the increasing number of tourists visiting, which has the potential to increase local revenue through the tourism sector.

Based on these findings, suggestions that can be given based on the results of this research are as follows:

1. Improve the quality of levy collection management in the agricultural sector.
2. Conduct further research related to potential sources in the agricultural sector of Enrekang Regency that have not yet been explored, in order to support increasing its contribution to regional income.
3. The Regional Government of Enrekang Regency is advised to further improve infrastructure, facilities and infrastructure, as well as promote regional tourism.
4. Regional governments should further increase their contribution to regional taxes so that revenue from regional taxes can provide even greater local original revenue in Enrekang Regency.
5. It is necessary to optimize efforts to increase public awareness of the obligation to pay market service levies in the Agribusiness Collector System (STA).
6. The public is expected to increase awareness in paying their regional taxes and levies.



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**Conflict of Interest Statement:** The author(s) declares that the research was in the absence of any commercial or financial relationship that could be construed as a potential conflict of interest.

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